



Legislation Text

File #: 07-0497, **Version:** 1

Recommendation to approve the selection of ICMA Retirement Corporation (ICMA-RC) as the single vendor for the City's 457 Deferred Compensation Plan, authorize the contract process that will allow the City of Long Beach to draft the contract between the City of Long Beach and ICMA-RC, and authorize City Manager to execute the contract and all documents related to the contract. (Citywide)

On December 20, 2005, the City Council authorized the City Manager to contract with a consultant to perform a comprehensive evaluation of the City's 457 Deferred Compensation Savings Plan (Plan), and to conduct a request for proposal for deferred compensation provider services (Attachment 1). As stated then, the City has a fiduciary obligation to prudently administer the Plan on behalf of employees and retirees, and in doing so to conduct examinations of current trends in deferred compensation management including services, service delivery and pricing.

As was communicated in a March 7, 2007 memo (Attachment 2), twenty-two bids were solicited from Plan providers, eight responded and three were selected by an employee committee to formally present. Of the three finalists, the employee committee determined that ICMA-RC clearly demonstrated the best approach to meeting the City's goal of maximizing the Plan's overall value to employees.

ICMA-RC's comprehensive approach to participant education was embraced by the committee and is confirmed by the wide array of retirement and financial planning education tools which include customized education materials, multiple communication channels, targeted and broad outreach campaigns, seminars, individual meetings, multi-lingual voice response unit (VRU), and a robust website providing for participant inquiries, transactions and targeted messaging. To further enhance the Plan's value to employees, ICMA-RC offered comprehensive financial planning services with a licensed Certified Financial Planner to all employees and access to the Morningstar Investment Service, at no charge. ICMA-RC will also provide an exclusive on-site Retirement Plan Specialist to serve City employees and retirees.

To address the City's goal for greater investment yields and cost reductions, ICMA-RC offered a substantial commitment to improving the Plan's fiscal efficiency. ICMA-RC's approach enhances the potential return on Plan assets by maximizing fund selection flexibility, including institutional shares, and more uniquely reducing administration fee requirements below that of other bidders.

During April 2007, staff and the consultant conducted 13 informational meetings to educate employees and retirees as to the review process and the recommendation to consolidate under ICMA-RC. As was evidenced by the strong attendance, the meetings were scheduled to provide ample opportunity for employees and retirees to hear the presentation and participate in open discussions.

This matter was reviewed by Deputy City Attorney Lori Conway on April 16, 2007 and Budget and Performance Management Bureau Manager David Wodynski on April 13, 2007.

Council action is requested on May 8, 2007 to authorize the timely implementation of the new services as soon as possible. After Council approval it will take approximately one month to finalize the provider service agreement, followed by an extensive education campaign and eventual account transition expected to be complete in four to six months.

There is no direct fiscal impact to the City. Plan provider compensation will continue to be paid directly from participant investment earnings. It is estimated that Plan costs to participants will be reduced approximately 37 percent, depending on the final fund line-up. Going forward, the reduction in Plan costs will reduce charges to participants as much as \$1,000,000 annually.

Approve recommendation.

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MICHAEL A. KILLEBREW
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APPROVED:

GERALD R. MILLER
CITY MANAGER