



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 6, 2017

FROM: HUMAN RESOURCES DEPARTMENT WARDS: ALL

SUBJECT: ADMINISTRATIVE SERVICES AGREEMENT WITH ICMA RETIREMENT CORPORATION FOR THE ADMINISTRATION OF THE CITY'S EMPLOYEE DEFERRED COMPENSATION PLANS FOR A TERM OF FIVE YEARS WITH AUTOMATIC ANNUAL RENEWAL

ISSUE:

Approve the Administrative Services Agreement with ICMA Retirement Corporation for the administration of the City's employee deferred compensation plans to be the sole provider to administratively oversee and record keep the City's Deferred Compensation 457 and 401a programs for a term of five years with automatic annual renewals.

RECOMMENDATION:

That the City Council:

1. Approve the Administrative Services Agreement with ICMA-Retirement Corporation to provide administrative oversight of the City's 457 and 401a program for a period of five years;
2. Approve the City Manager, or his designee, to execute the Administrative Services Agreement with ICMA-Retirement Corporation, including making minor and non-substantive changes; and
3. Approve the City Manager, or his designee, to execute the annual agreement renewals of the Administrative Services Agreement with ICMA-Retirement Corporation, including making minor and non-substantive changes.

BACKGROUND:

The City of Riverside currently offers 457 and 401a deferred compensation plans to all eligible benefited City employees. Since 1988, the contracted providers for these services have been Empower Retirement (formerly Great-West Retirement Services) and ICMA Retirement Corporation, with both contracts expiring on June 30, 2017. In October 2016, the Human Resources Department conducted a Request for Proposal (RFP) for administrative oversight

and recordkeeping of the City's 457 and 401a deferred compensation plans. The RFP process was conducted through the City's procurement process and coordinated by the City's Deferred Compensation Consultant, Benefit Financial Services Group (BFSG). The City's Deferred Compensation (DC) selection committee, comprised of City management and Union represented employees, reviewed the proposals. The City received a total of six proposals from qualified vendors and the top three vendors were selected to participate in an oral interview with the DC selection committee.

After a comprehensive and thorough review of the top three vendors, the DC selection committee unanimously decided to select one of the current program providers, ICMA-RC, as the sole deferred compensation provider for the City of Riverside. The decision was based on a number of factors including cost to participants, investment options, administrative/recordkeeping services and communication/education offerings. This action also led to the selection committee's decision to terminate the Administrative Services Agreement with Empower Retirement, the City's second Deferred Compensation provider, effective July 1, 2017.

DISCUSSION:

There are approximately 2,120 City employees who are eligible to participate in the deferred compensation plan and as of December 2016, total assets in the plans equaled \$182,685,142. In 2016, the deferred compensation committee made a decision to conduct a Request for Proposal process to evaluate available deferred compensation provider options and ensure the City was continuing to offer the best available option to our employees. The deferred compensation selection committee conducted an extensive review and analysis of all proposals and invited the top three vendors for an oral presentation: ICMA-RC, Empower Retirement and MassMutual. All vendors were evaluated based on their RFP responses and their oral presentations, specifically in four areas: Cost (30%), Investment options (20%), recordkeeping/administration (25%) and communication/education offerings (25%).

After multiple meetings and extensive review and discussion, the DC selection committee recommended retaining a single provider for the deferred compensation program, as this would result in the best pricing option and most savings to the participants. The current annual fee, using a dual provider model, is 0.14% for Empower Retirement and 0.125% for ICMA-RC. The annual fee with ICMA-RC as a sole provider with a five year contract would be reduced from 0.125% to 0.0462%. Based on the RFP responses and presentation of the top three vendors, the selection committee unanimously agreed that in the addition to offering the best cost option, ICMA-RC offered the most robust plan with the most experienced personnel and a strong in-house education and financial planning campaign.

The deferred compensation selection committee understands the implications of transitioning from two deferred compensation providers to a sole provider. However, this decision was made in full consideration of all current participants and was determined to be the most optimal decision that would result in significant cost savings to the participants. The Human Resources department is committed to working with ICMA-RC to ensure a smooth transition of all existing accounts from the Empower platform to ICMA-RC. The transition will include written notification to all participants and on-site information sessions at various City worksite locations.

The Purchasing Manager agrees with the recommendations in the report.

FISCAL IMPACT:

There is no fiscal impact to the City for the administrative oversight of the deferred compensation plan agreements. Plan administrators are compensated via revenues derived from plan asset investments.

Prepared by:	Stephanie Holloman, Human Resources Director
Certified as to availability of funds:	Scott G. Miller, Ph.D., Chief Financial Officer/City Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. Final selection committee overview presentation
2. ICMA-RC Administrative Services Agreement