



Legislation Text

File #: 21-324, Version: 1

CITY COUNCIL AGENDA ITEM

Memo Date: May 3, 2021
Agenda Date: May 11, 2021
Prepared By: Tammy B. Gemmati, Administrative Services Director
Through: Stockton Whitten, City Manager
Requested Action:

Approve City Staff's recommendation to consolidate recordkeepers for the City's 457(b) and 401(a) providers from three providers to one provider, ICMA-RC. Providing termination notice to Nationwide and Empower Retirement. Approve Staff to work with City Attorney to negotiate a new plan agreement between the City of Cocoa and ICMA-RC.

BACKGROUND:

In January 2021, City Council approved the agreement with SageView Advisory Group as the City's financial advisor and to provide fiduciary oversight for the City's 457(b) and 401(a) plans. At the City's request, in an effort to reduce participant fees, increase employee retirement education, and provide better plan administration, SageView sent a Request for Information (RFI) to nine (9) qualified Retirement Plan Administrators, including the current providers, Empower, ICMA-RC, and Nationwide. SageView consolidated all RFI responses, including an analysis of current plan expenses and fees.

A summary of the current plan fees and expenses by provider includes:

Plan Provider	Plan Assets	Total Cost Inc. Investment Expenses	Vendor Revenue
Nationwide 457(b) Plan	\$5,500,000	1.18%	\$22,752 or 0.88%
Empower DC Plan (grandfathered plan)	\$2,002,000	0.95%	\$5,300 or 0.26%
ICMA 401(a) Plan ICMA 457(b) Plan	\$6,628,897	1.30%	\$68,092 or 1.03%
Total	\$14,130,897	1.20%	\$96,144 0.68% (weighted)

The fees of these plans are not paid by the City but built into individual retirement accounts. An advantage of consolidating these plans into a single recordkeeper is the ability to lower the investment expenses and the revenue paid to the providers from the employee's retirement

accounts. Additionally, it enables for the City to streamline plan administration of the retirement plans.

SageView provided a recordkeeper analysis of the respondents' proposed fee schedule, (pricing on page 51), based on the current plan assets. Based on the proposed pricing and discussion regarding the current incumbent providers, along with the help of the City's SageView consultant Lisa Garcia, Staff narrowed the list from nine to three proposers for presentations. Presentations were held on April 19, 2021 of the 457/401 finalists, which included two incumbents and one additional provider: Empower, ICMA-RC (now operating under the name MissionSquare Retirement), and Voya. A committee was established to evaluate the finalists to select the single provider. The committee included Assistant City Manager Matthew Fuhrer, Finance Director Rebecca Bowman, Accounting Supervisor Cary Myers, Human Resources Coordinator Savi Pooran, and Tammy Gemmati, Administrative Services Director. .

After presentations were conducted, a unanimous decision was made, thus selecting select ICMA-RC (MissionSquare Retirement) as the single provider. ICMA-RC presented the lowest proposed fees with their proposal. While pricing was a factor in the discussion among the group, ease of administration and user access was also reviewed. As part of the proposed fees, the City will also transition the fund lineup to an open architecture platform that will have lower recordkeeper administration fees and expense ratio. A summary of the anticipated savings includes:

	Current	New
Vendors	3 Recordkeeping Providers	Consolidate to 1 Provider
Recordkeeping Fees	\$96,144 (combined cost) • ICMA-RC - 1.03% • Empower - 0.26% • Nationwide - 0.88%	\$25,000 (new cost) • ICMA-RC: 0.178%
Investment Expenses	Multiple Investment Menus • Avg. Expense Ratio: 1.14%	One Streamlined Investment Menu • Avg. Expense Ratio: 0.47%
Investment Options	Up to 49 Investment Options Offered	15+ Investment Options, in addition to Target Date Funds

This is an approximate recordkeeping cost reduction of 74%, or approximately \$71,144 annually. By including SageView's fees that are also built into the plan, which is 0.10% of the total plan assets or a minimum of \$20,000, the annual fees are reduced almost in half. Again, there is no direct budgetary impact to the City for these fees, as the fees are built into the plan funds and are paid through the participant retirement accounts. In summary, Staff requests Council approval of the recommendation to consolidate recordkeepers of the existing 457(b) and 401(a) providers from three to one provider, ICMA-RC. Providing termination notice to Nationwide and Empower Retirement. Approve Staff to work with City Attorney to negotiate a new plan agreement between the City of Cocoa and ICMA-RC.

Upon City Council approval, Staff will begin the transition with the current providers to begin plan consolidation which will take several months with the final conversion to be completed around the September 2021 timeframe. A separate agenda item is anticipated to present to Council requesting approval of the plan agreement, once finalized with our attorney.

STRATEGIC PLAN CONNECTION:

Approval of this item will increase employees' preparation for retirement and improve the City's fiduciary responsibility for employees with their retirement plans.

BUDGETARY IMPACT:

Budgeted	N/A
If not budgeted, is amendment/transfer attached?	N/A

There is no direct budgetary impact for the City, as the fees will be built into associated individual retirement plans.

PREVIOUS ACTION:

At a Regular City Council Meeting on January 25, 2021, Council approved a multi-year agreement with SageView Advisory Group to be the City's financial consultant for its 457(b) and 401(a) plans.

RECOMMENDED MOTION:

Approve City Staff's recommendation to consolidate recordkeepers for the City's 457(b) and 401(a) providers from three providers to one provider, ICMA-RC. Providing termination notice to Nationwide and Empower Retirement. Approve a multi-year plan agreement between the City of Cocoa and ICMA-RC effective September 11, 2021 to September 10, 2026.