
CITY OF OCALA
CITY COUNCIL REPORT**Council Meeting Date: 08/06/13**

Subject: Investment Provider and Custodian for the 457(b) and 401(a) Governmental Plans

Submitted By: Tiffany Kimball

Department: Business & Financial Services

STAFF RECOMMENDATION (Motion Ready): Approved Subject to Legal Revi Agenda Item (ID # 5894) selection of an Investment Provider and Custodian for 457(b) deferred compensation, and the 401(a) defined contribution governmental plan

OCALA'S RELEVANT STRATEGIC GOALS: Fiscally Sustainable

PROOF OF PUBLICATION:

BACKGROUND:

On June 21, 2013, the Procurement Department issued an Invitation to Negotiate, #13-001, to obtain proposals from qualified investment providers and custodians for the City's 457(b) deferred compensation plan, and to additionally manage the newly created 401(a) defined contribution money purchase plan. A selection committee, comprised of a cross-section of City employees, evaluated the proposal submitted by the International City Management Association Retirement Corporation, and agreed to negotiate with that company.

FINDINGS:

The Fund Line-up provided by ICMA-RC was specially selected to provide employees with the highest and most stable returns, along with very low net expense ratios. Many of the offered funds provide 10-year earnings in excess of 8% to 13% per annum. In addition to a stable of mutual funds which include value, bond, balanced, target date funds, equity, and stock (domestic and international) funds, there is also a self-directed brokerage account option, and an optional fully managed account service. The mutual funds are represented by firms such as T. Rowe Price; Vanguard; Oppenheimer; Fidelity; Royce; PIMCO; Allianz; and Harbor.

In addition, the proposal submitted by ICMA Retirement Corporation provides for a very low fee structure of 18.5 basis points annually on plan assets for investment and plan administration services. This fee ceiling is the maximum revenue the company will retain; any earned fees in excess of that which is remitted by the managed funds will be refunded back to the City. After expenses, these refunded fees can also be used to provide additional income to employee plan participants.

CONCLUSIONS:

The proposal submitted by ICMA Retirement Corporation, and negotiated by City staff provides employees with an excellent array of nationally recognized investment portfolio options with very low fees. ICMA will assist employees with the selection of investments and enrollment forms during the implementation of the plan to ensure a smooth transition for those employees wanting to participate in the newly created 401(a) plan.

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FISCAL IMPACT:

No impacts. Fees are paid for by the investment funds.

LEGAL REVIEW: The contract has been reviewed and approved by City Attorney, Patrick G. Gilligan.

ALTERNATIVE:

None recommended.

SUPPORT MATERIALS:

ICMA-RC Plan Administration Agreement 2013 (PDF)

Exhibit A-Service Level Administrative Agreement (PDF)

EXHIBIT B- Declaration of Trust- ICMA (PDF)

Exhibit C- Proposal ICMA-RC (PDF)

Exhibit D-Invitation to Negotiate Investment Provider (PDF)

Exhibit E- Ocala Investment Fund Line-Up (PDF)