

## Meeting Agendas/Info

CITY COUNCIL  
COMMUNICATION:

ITEM \_\_\_\_\_

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**01-188**

**SYNOPSIS -**

**AGENDA:**

APRIL 16, 2001

**SUBJECT:**

Approval of the 401(a) Plan Request for Proposals (RFP) Review Committee's recommendation of ICMA-RC (Washington, D.C. - Girard Miller, President and Chief Executive Officer) as the plan provider, and authorize the City to enter into a 401(a) Money Purchase Plan and administration agreement approved as to form by Corporation Counsel.

SECTION 401(A)  
PLAN  
RECOMMENDATION  
OF PROVIDER AND  
AUTHORIZATION  
TO NEGOTIATE  
AND EXECUTE A  
PLAN DOCUMENT  
AND  
ADMINISTRATION  
AGREEMENT

**FISCAL IMPACT -**

None. All fees and costs to be borne by plan participants.

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**RECOMMENDATION -**

**Approve the selection of ICMA-RC as the plan provider for a Section 401(a) Money Purchase Pension Plan, including loan provision administered by provider, for Supervisory, Professional, and Management (SPM) employees (which includes members of the City Council); and authorize City staff to negotiate and Mayor to execute a plan document and administration agreement approved as to form by Corporation Counsel to enable employee participation no later than June 1, 2001.**

**SUBMITTED BY:**

THOMAS G.  
TURNER HUMAN  
RESOURCES  
DIRECTOR

**BACKGROUND -**

The City currently sponsors an Internal Revenue Code Section 457 deferred compensation plan. This plan permits employees to defer salary on a pre-tax-basis to augment their retirement income. The 457 plan, which is unique to public employers, has several limitations due to its "eligible" designation. These limitations include: \$8,500 per year deferral limit; inability to "roll-in" and/or "roll-out" funds into or out of other IRAs and 401 plans; and an irrevocable distribution election.

These restrictions, imposed by the federal government, reduce the recruiting attractiveness of the 457 plan. Further, some employees have requested the opportunity to defer larger amounts of their earnings for retirement.

After reviewing the alternatives, the Deferred Compensation Committee has concluded the implementation of a 401(a) Money Purchase Pension Plan would address these issues.

The City Council, by Roll Call No. 99-1946 on June 21, 1999, authorized the issuance of an RFP to various financial institutions located in Des Moines and other investment companies with a current relationship with the City. On June 21, 1999, an RFP was issued. Proposals were received, but a provider was not selected. An RFP was re-issued to ten providers on February 16, 2001. Six providers submitted proposals by the deadline of 5:00 p.m., March 12, 2001. The proposals were based on plan features as follows:

1. Employees would have to agree irrevocably to participate and contribute 4 percent of their base salary. The Internal Revenue Service (IRS) requires the irrevocable commitment.
2. The City will match up to 4 percent of the employee deferral.
3. Employees participating in the 401(a) plan may continue to defer salary in the 457 plan; however, such 457 deferrals will NOT be matched. The City will only provide the match in the 401(a) plan for 401(a) participants.
4. Employees are NOT required to participate in the 401(a) plan. An employee may continue to defer salary into the 457 plan and will still receive the City match in that plan.
5. A loan provision is provided in the 401(a) plan.
6. The entire cost of the 401(a) plan will be borne by the participants.

|  |            |
|--|------------|
| The evaluation criteria as outlined in the RFP are:                    |            |
| Fees for Administration, Investment Management and Loan Administration | 50 percent |
| Provider Experience and Investment Performance                         | 25 percent |
| Customer Service/Plan Support  | 15         |

|            |            |
|------------|------------|
|            | percent    |
| References | 10 percent |

The RFP Review Committee included the Corporation Counsel (Bruce Bergman), Acting Finance Director (Allen McKinley), Human Resources Director (Tom Turner), SPM President (Andrew Hennesy), Assistant City Attorney (Carol Moser), and Total Compensation Supervisor (James Wells). Each of the committee members reviewed the proposals as submitted and consensus was reached on scoring for all factors.

A major factor in evaluation was the management and administrative cost to plan participants. City staff prepared a detailed analysis of all charges associated with the plan management and investment fees. Principal Financial Group (PFG), whom declined to participate as a bidder, offered to provide a review and recommendation to the Committee. PFG's analysis identified ICMA-RC as the successful bidder.

The Committee's recommendation is based on the scoring of the proposals as noted in the attached sheet to this Council Communication. The ICMA-RC proposal is the clear leader.

Attachment

