

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	October 24, 2016
	<b>Agenda Item No.</b>	<b>39</b>
	<b>Roll Call No.</b>	<b><u>16-1836</u></b>
	<b>Communication No.</b>	<b><u>16-603</u></b>
	<b>Submitted by:</b>	<b>James R. Wells, Human Resources Director</b>

**AGENDA HEADING:**

Approve Agreement with Nationwide as the City’s exclusive deferred compensation provider and authorize City legal department to prepare agreement for the Mayor’s signature.

**SYNOPSIS:**

The City of Des Moines has chosen to pursue a single source solution to administer its 457 and 401a deferred compensation plans. The City’s Deferred Compensation Committee through a competitive request for proposal (RFP) process recommends Nationwide as the City’s exclusive retirement plan provider through December 31, 2023. Nationwide delivered the lowest cost proposal with the highest commitment of its resources to onsite employee education. The single plan will lower both administrative and investment costs, which all will be passed on as savings to participants helping to further grow account balances for retirement.

**FISCAL IMPACT:**

Amount: Plan administration and investment cost are paid from participant accounts. The savings created through this agreement will be realized by participants.

Funding Source: Other than staff time, the City of Des Moines does not incur any costs or fees for the administration of its deferred compensation program.

**ADDITIONAL INFORMATION:**

The City of Des Moines administers a defined contribution retirement plan for its employees. Currently, employees can choose from one (1) of multiple providers to manage their deferred compensation account. Plan assets are spread over these various companies and each of them charge their own administrative and investment fees as well as provide varying level of service. Combined, the City’s deferred compensation plan is valued at over \$160,000,000. Industry best practice is to leverage total plan assets to drive down administrative and investment costs and to gain access to the best investment options available to the City. Consolidating the multiple providers down to one (1) is the best means to leverage total plan assets.

Seven (7) companies submitted proposals to be the City’s exclusive deferred compensation provider. Nationwide submitted the lowest cost proposal and offered the highest level of dedicated on-site financial service to employees. Specifically, Nationwide proposed a \$35 per year per participant fee for seven (7) years. Annually, Nationwide has committed to 900 individual meetings, 75 group seminars, 1,200 on-site service hours and 150 on-site service days. This level of service essentially dedicates a

full-time Nationwide employee to participants. Additionally, Nationwide's Retirement Plan Division invests \$115,000,000 per year in technology so plan participants will have account access on-line and through their mobile device including robust retirement planning tools. Nationwide has been offering 401(a) and 457 governmental plans since 1973 and 1975 respectively. As of December 31, 2015, they provide recordkeeping services for more than 7,000 governmental deferred compensation plans comprised of over 1 million participant accounts totaling \$60 billion in assets. Nationwide has transitioned seven (7) similar plans in the past five (5) years.

Some specific benefits participants will experience as a result of this action include:

- Reduced participant administrative cost on average from 36 basis points (bps) down to five (5) bps.
- Reduced participant investment fees on average from 50 bps down to 25 bps.
- Improved overall quality of investment lineup through open-architecture platform.
- Participant focused financial planning and retirement readiness education ensuring employees are on track toward successful retirement.
- Implementation of fiduciary best practices and due diligence to ensure the participant's plan is consistent with industry best practices of a low cost quality plan.
- Enhanced plan features, such as payroll Roth 457 and loans.

Mesirow Financial, the City's retirement plan consultant, was pivotal in assisting and providing their expertise to the Deferred Compensation Committee at every step. They benchmarked the City's current deferred compensation plan, assisted with development of the RFP and evaluating proposer responses and will guide the Committee with selecting the fund line-up and will navigate the City through the conversion process ensuring that the interest of the City and participants are protected.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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