



Legislation Text

File #: 18-172, Version: 1

TO: Mayor and Commissioners
FROM: Caryn Gardner-Young, City Manager Office
THROUGH: Mark R. Lauzier, City Manager
DATE: April 3, 2018

RESOLUTION NO. 35-18: TO APPROVE THREE AGREEMENTS WITH THE INTERNATIONAL CITY MANAGERS ASSOCIATION RETIREMENT CORPORATION FOR RETIREMENT ACCOUNT INVESTMENT SERVICES

Recommended Action:

Motion to approve Resolution Number 35-18 for three agreements with the International City Managers Association Retirement Corporation for retirement account investment services.

Background:

The City of Delray Beach ("City") acts as a public sponsor of three retirement plans including 457, 401/DROP and 401 plans ("Plan") and in that capacity, has responsibility to obtain administrative services and investment alternatives for the Plan. In November of 1999, the City entered into an Agreement with The International City Management Association Retirement Corporation (ICMA-RC) to act as an investment adviser and design funds for investment of the City's Plan assets. In addition to serving as investment adviser, ICMA-RC provides a range of services to public employers for the operation of employee retirement plans including but not limited to communications concerning investment alternatives, account maintenance, account recordkeeping, investment and tax reporting, transaction processing, benefit disbursement and asset management. The Agreement for the 457 Plan was amended in 2004 to reflect changes in the law based upon a new regulation entitled the Economic Growth and Tax Relief Reconciliation Act of 2001. Again in 2005, the Plan was amended for all funds to eliminate the Plan Administrative Fee and Mutual Funds Fee based upon the City using EZlink for enrollment and contributions and using ICMA-RC as an exclusive provider of services for the Plan.

The attached documents propose to change the Plan again. The intent is to provide the City's employees the best chance to increase investment returns on their retirement contributions. Overall the Agreements will provide potentially better performing fund choices for the employee to pick from and to reduce the costs paid by the employees to invest in the Plan. For example, the Agreements will allow the City to create its own platform of funds to invest in. Typically, the ICMA-RC provides a platform of certain mutual funds which you must pick from. In combination with our investment advisors from Fiduciary First, the City will be able to pick and choose its mutual funds line up based upon costs and performance of each fund.

City Attorney Review:

The City Attorney's Office has reviewed the Agreements.

Funding Source/Financial Impact:

The new Agreements will result in a cost savings to the individual employees. For example, the updated ICMA-RC Administrative Services Agreements will reduce ICMA's fees to 8.9 basis points (bps). Currently, the participants in the City's Plans are paying approximately 43bps or \$235,000 annually to ICMA -RC. The updated Administrative Services Agreement with the VT Plus Fund alone would reduce ICMA's fees to about \$55,000 annually - a savings to employees of approximately \$180,000 - and is a reduction of over 76%.

Timing of Request:

The sooner that the Agreements are approved, the sooner that ICMA-RC will reduce the fees charged to employees and, provide the open platform.