



Staff Report

File #: 21-0541

REQUEST FOR CITY COUNCIL ACTION

DATE: 09/01/2021

TO: Honorable Mayor and City Council Members

FROM: Human Resources Department

SUBJECT:

Nationwide Plan Documents - Deferred Compensation, Adoption Agreement, Post Employment Health Plan, and ProAccount Documents.

EXECUTIVE SUMMARY:

City Council consideration and approval of the 457(b) Deferred Compensation Plan, Adoption Agreement, Post Employment Health Plan, and ProAccount documents provided by Nationwide. Upon review of the City's current deferred compensation providers, the City determined that there would be a significant cost savings to employees to consolidate to one provider. It is recommended that the City approve Nationwide as the sole provider. To make this transition, Nationwide has provided plan documents for review and approval.

RECOMMENDED ACTION:

That the City Council:

- a. Designate the City Manager, or his designee, as the Plan Administrator for deferred compensation policies.
- b. Adopt Resolution No. 2021-090 to approve 457(B) Deferred Compensation Plan Document provided by Nationwide and repeal Resolution No. 2017-049.
- c. Approve the Adoption Agreement provided by Nationwide.
- d. Approve the Trust for the City of Corona Post Employment Health Plan provided by Nationwide.
- e. Approve the ProAccount document for managed accounts provided by Nationwide.

BACKGROUND & HISTORY:

In 2017, the City Council adopted a 457 Plan pursuant to Resolution No. 2017-049. In later review of the City's deferred compensation providers, the City Treasurer, Chad Willardson, suggested that the City look into various options to consolidate the two plans to reduce the costs of the retirement plans and increase the personal service available to City employees. It was apparent to him that having two plans and two providers with a cluttered investment menu was costing City employees unnecessary fees. At the City Treasurer's recommendation, the City conducted a Request for Proposals (RFP) and hired a fiduciary consultant. The fiduciary consultant, NFP Retirement Inc. (NFP), was instrumental in conducting the RFP process for selecting a retirement plan provider that would not only provide great advice and service to plan participants, but also to significantly reduce fees. Through the RFP process, the City evaluation team determined that Nationwide would provide the best services at the lowest cost and recommends that it be the sole provider for Deferred Compensation and Post Employment Health Plan (PEHP) Plans for employees. This decision provides a significant cost savings for the employees and retirees with active accounts, reducing the annual fees by over 70% while offering a higher level of benefit for the employees. As a part of the proposed transition, new documents have been provided by Nationwide for review and approval by the City. Approval of aforementioned documents will allow Staff to continue the transition process to one provider.

ANALYSIS:

The City conducted a RFP process in 2018 to select a vendor to provide fiduciary consulting services. Four firms were evaluated and NFP was awarded the contract in June 2019. Staff, along with the City Treasurer, worked with NFP to develop a scope of work to consolidate the current deferred compensation and PEHP plans. NFP issued the RFP for plan providers on June 12, 2020. Eight (8) proposals were submitted. Based on evaluation of the written submittals, interviews were conducted with the top four scoring vendors. The City held interviews with Empower, ICMA-RC, Nationwide, and Voya.

Through the RFP evaluation process, and with help from the fiduciary consultant (NFP), the City evaluation team recommends making Nationwide the sole provider for Deferred Compensation and (PEHP) Plans for employees. The evaluation team consisted of the City Treasurer, Assistant City Manager, Chief Talent Officer, Finance Director, and Human Resources staff. This decision to consolidate to Nationwide provides a significant cost savings for the employees and retirees with active accounts, reducing the annual fees by over 70% while offering a higher level of benefit for the employees. Personal financial planning and personal retirement consultations were also negotiated with Nationwide as part of the new contract.

Nationwide's 457(B) Plan is adopted through an Adoption Agreement provided by Nationwide. The reason for Nationwide's desire to use their own 457(B) Plan is that it makes it easier for Nationwide to administer the Plan, as it largely is the same for all of the Plans it administers. The proposed 457 (B) Plan is compliant with federal law.

The PEHP Document is a generic document separately adopted for each employee group through a form of "Participation Agreement."

The City currently has a number of employees who participate in a managed account. Managed accounts are no additional cost to the City and fees are deducted directly from the accounts. In order to provide a seamless transition for employees, Staff has made the decision to continue this benefit with Nationwide. Approval of the ProAccount document will allow the employees to retain this benefit.

The City is currently working closely with Nationwide to serve as the sole retirement plan provider for the 457(b) Deferred Compensation Plan and Post Employment Health Plan(s). The outcome of the project will consist of transferring the 457(b) plan at ICMA-RC into the 457(b) plan at Nationwide and the Retiree Health Savings Plan at ICMA-RC into the Post Employment Health Plan at Nationwide. The consolidation of the plans and utilizing a sole retirement plan provider will result greater administrative efficiencies, lower investment and administrative costs and enhanced plan services for all plan participants. On a weekly basis, a project team from Nationwide along with the City's retirement plan advisor (NFP) and the City meets to discuss the details and action steps necessary for the project. The transition process includes plan document preparation to carry over all plan provisions within the plans into new plan documents for each respective plan, determining a detailed communication strategy for the plan participants and working with ICMA-RC as the outgoing provider to ensure a smooth transfer of plan assets and plan details. The plan investment lineup will map over to similar investment strategies at Nationwide, which was prudently selected using best in class investment options with the assistance of the City's retirement plan advisor, NFP. Upon execution of the necessary plan documents and agreements, it is expected for the remainder of the process to take roughly 90 days. The City is targeting mid-December for the assets to transfer from ICMA-RC, with an anticipated go live date of 1/1/2022. To ensure a smooth transition, Nationwide has developed a thorough communication strategy for all employees, including an announcement letter, transition brochure and live meetings for employees to learn about the resources and tools available for the retirement plan program.

FINANCIAL IMPACT:

There is no financial impact to the City by approving the aforementioned documents. City employees and retirees will experience lower investment fees charged to their respective accounts through the consolidation of the 457(B) plans.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. There is no possibility that the acceptance of this report will have a significant effect on the environment.

PREPARED BY: KYLIE LUJAN, HUMAN RESOURCES SUPERVISOR

REVIEWED BY: ANGELA RIVERA, CHIEF TALENT OFFICER

Attachments:

1. Exhibit 1 - 457 Trust Agreement
2. Exhibit 2 - Trust for the City of Corona Post Employment Health Plan
3. Exhibit 3 - 457(b) Administrative Services Agreement
4. Exhibit 4 - City of Corona 457(b) Adoption Agreement
5. Exhibit 5 - City of Corona 457(b) Deferred Compensation Plan - Exhibit 1
6. Exhibit 6 - Resolution No. 2021-090, Adopting Nationwide 457(b) Deferred Compensation Plan