

CITY OF HESPERIA

STAFF REPORT



DATE: March 19, 2019

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Michael Blay, Assistant City Manager
Casey Brooksher, Director of Finance
Rachel Molina, Assistant to the City Manager
Rita Perez, Human Resources Manager

SUBJECT: Deferred Compensation 457(b) and 401(a) Plans Consolidation and Conversion to MassMutual

RECOMMENDED ACTION

It is recommended that the City Council authorize the City Manager to rescind Resolution 89-94 and Resolution 94-92, which established ICMA and Nationwide as the providers of a 457(b) deferred compensation plan, as well as rescind Resolution 96-64 naming Nationwide as the provider of the 401(a) plan. Further, it is recommended that the City Council, adopt Resolution No. 2019-07, authorizing the current employees' Deferred Compensation 457(b) and 401(a) plans to be consolidated and converted to MassMutual.

BACKGROUND

The City Council previously adopted Resolution 89-94 in November 1989 and Resolution 94-92 in September 1994, establishing a 457(b) deferred compensation plan for employees with ICMA Retirement Corporation and the Public Employees Benefit Services Corporation (now called Nationwide Retirement Solutions) respectively. These plans allowed for employees to defer a pre-taxed amount from their payroll check to invest in employee selected funds provided by ICMA and Nationwide in order to supplement their City retirement benefit.

The City Council also adopted Resolution 96-64 in July of 1996, establishing a supplemental pension plan pursuant to the provision of Section 401(a) of the Internal Revenue Code. This pension plan allowed the City to contribute money into an account for Non-Represented employees to invest into employee selected funds provided by Nationwide as outlined in the Non-Represented Compensation and Benefit Plan.

ISSUES/ANALYSIS

As part of the City's commitment to providing employees with supplemental retirement options, City staff worked with a plan consultant and investment advisor to review the Nationwide and ICMA plans. As part of that review, a request for proposals was conducted with six providers, including Nationwide and ICMA to ensure the plans were competitive and fees assessed were reasonable. After review, City staff is recommending consolidation and conversion of its 457(b) and 401(a) plans to a single provider, MassMutual.

The conversion to MassMutual will bring plan participants lower plan pricing by a reduction of 69%, a comprehensive and price efficient fund menu, higher fixed interest rate increasing from 2.78% to 3.65%, and enhanced participant services. Eligibility to participate in the 457(b) deferred compensation plan will include both Full-time and Part-time employees. Finally, additional education resources which will include site visits with group and one-on-one trainings for employees.

The City Council's adoption of Resolution No 2019-07 will appoint Reliance Trust Company as a trustee and authorize MassMutual as plan record keeper and agent of the Trustee.

FISCAL IMPACT

It is anticipated that there will be conversion costs related to moving services from both ICMA and Nationwide; it is anticipated that Mass Mutual will be able to cover the costs by conversion savings. This will ensure that the costs to the City and employees (participants) are limited.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. 2019-07