

TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTORS AGENDA ITEM SUMMARY

Topic: Employee 457 Plan Change

Purpose	Information:	Guidance:	Decision: X
Recommendation	<p>Rescind Resolution 2011-04, which adopted the current deferred compensation plan and authorized Nationwide to administer the plan.</p> <p>Authorize the Director of Finance and Administration to act on behalf of the District and sign the “City Administrative Agreement” and any other documentation required to complete the changeover of the 457 plan from Nationwide to Great-West Life & Annuity Insurance Company.</p>		
Last Action	<p>Resolution 2011-04 was passed in May of 2011 adopting the current plan and authorizing The Director of Finance and Administration to act as the Administrator for the plan, executing such agreements and contracts as are necessary to implement the plan.</p>		
Discussion	<p>In September of 1988, Resolution 88-03 was passed which adopted the US Conference of Mayors (USCM) Deferred Compensation Program and established the Truckee Tahoe Airport District Deferred Compensation Plan for the voluntary participation of eligible employees.</p> <p>The USCM subsequently passed the administration of the plan to Nationwide. The USCM, as the sponsor of the program, reviews and selects the company (or companies) to serve as Program Vendor (currently Nationwide). Due to the District’s position under the USCM umbrella, we are potentially the beneficiary of economies of scale and the negotiating power for services and fees that come with being a part of a much larger entity. Periodically, USCM conducts market surveys, reviews and evaluates the administrative abilities of current and potential Program Vendors.</p> <p>Based on a recent review of benefits, cost structures, product offerings and supporting services, USCM has selected Great-West Retirement Services as the new Program Vendor – replacing Nationwide. The number one reason they list in their documentation is the decrease or elimination of administrative fees, meaning more of the employees’ dollars will go towards retirement savings, and not toward fees. The current administrative fee is a maximum charge of .95% - based on a review of the past year, the actual charge has been between .7% and .86%. The Great-West Retirement Services program has a .25% administrative fee for plans with our level of assets (our recent statement showed total assets of \$341,000). If the level of plan assets ever exceeds \$500,000, the administrative fee would be zero.</p>		

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In addition, USCM states that there will be enhanced education services, and an expanded lineup of quality investment options.

The District has the choice of staying with Nationwide, however, if that is the case we will no longer have the administrative services of USCM at our disposal and we will have to make our own written agreement with Nationwide regarding the administrative and record keeping services they provide and the related fees. As a much smaller bargaining unit, it is doubtful we would be able to get the administrative fee down from the current level – meaning the fees would continue in the .7% and above range, as opposed to the .25% (offered with Great-West).

The employees have been made aware of the situation, and their input was solicited.

The first step to moving the employees' account from Nationwide to Great-West is the completion of a new City Administrative Agreement and an asset transfer form. In conjunction with the move, the District will offer the employees a self-directed brokerage account option – something we had been working on with Nationwide. This requires the completion of additional documentation.

As the previous resolution allowed the paperwork to be completed by the Director of Finance and Administration, there is no financial consideration required on the District's behalf, and the role of "Administrator" is an ongoing requirement, the Director of Finance will fulfill this role. A resolution will be brought to the Board to finalize everything once all the documentation is in place.

Fiscal Impact	None – other than the incidental expenses of collecting and disbursing the employees' deferrals and other minor administrative matters, there is no cost to the District for the plan.
Communication Strategy	Employees in the plan have already been briefed on the matter. They will receive additional information as the asset transfer is made.
Attachments	Resolution 2011-04
