

ITEM # 14  
DATE 4-22-2008

## COUNCIL ACTION FORM

**SUBJECT: REPORT ON THE AMES MUNICIPAL UTILITY PLAN FROM THE UTILITY RETIREMENT ADVISORY BOARD**

### **BACKGROUND:**

The Municipal Code of the City of Ames, Iowa, Section 28.403 established a participant review board elected from various utility departments that have members of the Ames Municipal Utility Retirement Plan. Duties of the Board are to monitor, review, and evaluate, on a continuing basis, the performance of the Ames Municipal Utility Retirement Plan and report annually to the City Council.

The City of Ames is the plan sponsor for a 401(a) defined contribution retirement plan. This plan is available to employees who receive at least ten percent of their salary funding from City of Ames utilities. Vanguard serves as plan administrator for the City.

In February 2008, the Board met with Kevin Wheatley, Relationship Manager, and Ed Saracino, Investment Analyst, from Vanguard. The Vanguard representatives provided a brief overview of the company, and provided information demonstrating that the fee structure and investment return performance are highly competitive.

The Vanguard representatives also presented a plan and participant overview. The Plan has a total balance of over \$26.8 million with 152 active participants and 160 total participants. The Plan balance was then broken down by investment fund type, including beginning and ending balances, total number of participants, and percentage of total assets. Summary information on the plan is attached.

After discussion, the Board passed a motion to accept the review and contents of the Vanguard presentation and to recommend that the relationship with Vanguard as plan administrator be continued.

### **ALTERNATIVES:**

1. Accept the report from the Utility Retirement Advisory Board and continue the relationship with Vanguard as plan administrator.
2. Refer the report back to the Utility Retirement Advisory Board for further information.

**MANAGER'S RECOMMENDED ACTION:**

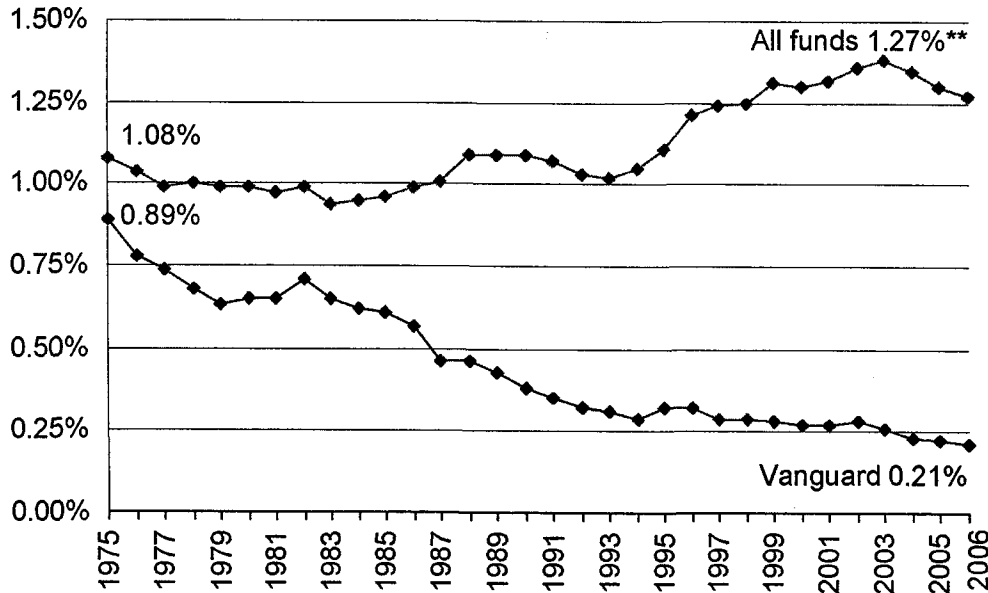
After review and discussion of the material presented by Vanguard, the Board has voted to recommend that the City Council continue the relationship with Vanguard as plan administrator.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting the report from the Utility Retirement Advisory Board and continue the relationship with Vanguard as plan administrator.

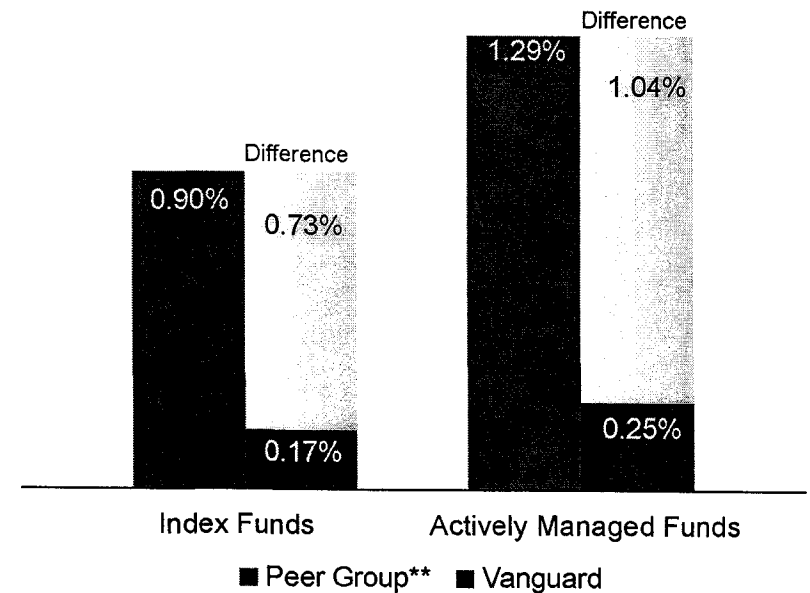
# Vanguard Overview

- Vanguard's current cost advantage is 1.06%.
- One hundred six basis points on \$1.3 trillion in mutual fund assets\* under management translates into approximately \$13.5 billion in savings passed on to Vanguard shareholders.

Percentage of Net Assets\*\*\*



Expense Ratio



\* Assets under management are as of September 30, 2007.

\*\* 2006 expense ratios according to Lipper Inc.

[ 4 ] \*\*\* Sources: The Vanguard Group, 1980-1987; Weisenberger Panorama; and Lipper Inc., 1988 forward.



# All-In Fee Report as of December 31, 2007

City of Ames Municipal Utility Retirement System Plan – 090886

## Asset-Based Fees

Vanguard Fund Name	Balance	Expense Ratio	Total Cost	Peer Group*	Expense Ratio	Total Cost
Vanguard Wellington Fund	\$4,722,603	0.30%	\$14,168	Moderate Allocation	1.10%	\$51,949
Vanguard Windsor II Fund	\$2,961,464	0.33%	\$9,773	Large Value	1.32%	\$39,091
Vanguard Prime Money Market Fund	\$3,236,497	0.24%	\$7,768	Taxable Money Market**	0.24%	\$7,768
Vanguard International Growth Fund	\$1,384,675	0.51%	\$7,062	Foreign Large Growth	1.60%	\$22,155
Vanguard 500 Index Fund	\$4,280,659	0.15%	\$6,421	Large Blend	1.18%	\$50,512
Vanguard U.S. Growth Fund	\$1,135,223	0.50%	\$5,676	Large Growth	1.38%	\$15,666
Vanguard Retirement Savings Trust	\$1,787,961	0.30%	\$5,364	Uncategorized Fund**	0.30%	\$5,364
Vanguard Morgan Growth Fund	\$1,447,143	0.37%	\$5,354	Large Growth	1.38%	\$19,971
Vanguard Equity Income Fund	\$1,560,744	0.29%	\$4,526	Large Value	1.32%	\$20,602
Vanguard Total Stock Market Index Fund	\$1,652,127	0.19%	\$3,139	Large Blend	1.12%	\$18,504
Vanguard Total Bond Market Index Fund	\$1,018,855	0.20%	\$2,038	Intermediate-Term Bond	1.01%	\$10,290
Vanguard Explorer Fund	\$366,995	0.41%	\$1,505	Small Growth	1.62%	\$5,945
Vanguard LifeStrategy Moderate Growth Fund	\$605,987	0.23%	\$1,394	Moderate Allocation	1.19%	\$7,211
Vanguard LifeStrategy Conservative Growth Fund	\$303,048	0.24%	\$727	Conservative Allocation	1.08%	\$3,273
Vanguard LifeStrategy Growth Fund	\$246,048	0.23%	\$566	Moderate Allocation	1.19%	\$2,928
Vanguard LifeStrategy Income Fund	\$112,766	0.24%	\$271	Conservative Allocation	1.08%	\$1,218
<b>Vanguard Totals</b>	<b>\$26,822,796</b>	<b>0.28%</b>	<b>\$75,751</b>		<b>1.05%</b>	<b>\$282,446</b>

# All-In Fee Report as of December 31, 2007

## City of Ames Municipal Utility Retirement System Plan – 090886

### Service Fees

Annual Administrative Fee (Paid by Participant Per Capita) \$6,000

**Total Service Fees \$6,000**

### Total Fees

Vanguard Fund Fees \$75,752  
 Service Fees \$6,000  
 Additional Service Fees Variable

**Total Fees \$81,752**

### Total Expense Ratio\*

Total Fees \$81,752  
 Total Assets \$26,822,796  
**Total Expense Ratio 0.30%**

### Additional Services Fees

Ad Hoc Reporting (Paid by Participant Gross Per Capita) At Cost  
 Additional Processing (Paid by Participant Gross Per Capita) At Cost  
 Annual Administrative Fee For Each Loan (Paid by Participant Fixed Per Capita) \$25 Per Loan Maintenance  
 Client Requested Account Adjustments (Paid by Participant Gross Per Capita) At Cost  
 Miscellaneous Fees (Paid by Participant Gross Per Capita) At Cost  
 Mistake of Fact Processing (Paid by Participant Gross Per Capita) At Cost  
 Origination Fee Per Participant Loan (Paid by Participant Fixed Per Capita) \$40 Per Loan Origination  
 Participant Education Retirement Service (Paid by Participant Gross Per Capita) At Cost  
 Plan Consulting Services (Paid by Participant Gross Per Capita) At Cost  
 QDRO Processing (Paid by Participant Gross Per Capita) At Cost  
 Requested Statement Enclosures (Paid by Participant Gross Per Capita) At Cost  
 Return of Excess (Paid by Participant Gross Per Capita) At Cost

\* Vanguard expense ratios are as of each fund's latest fiscal year. If applicable, outside fund expense ratios were obtained from Lipper, Morningstar or the fund company and are only as current as the information supplied to these entities by third parties.

[ 8 ] Vanguard is not responsible for the accuracy of data provided by third parties.



# Plan and Participant Overview

## January 1, 2007 to December 31, 2007

City of Ames Municipal Utility Retirement System Plan – 090886

Plan Summary	12/31/2007	12/31/2006
Total Plan Balance	\$26,823,335.66	\$25,118,516.07
Total Balance Net of Loans	\$26,822,796.23	\$25,115,073.98
Number of Active Participants	152	151
Number of Participants With a Balance	160	158
Average Participant Balance	\$167,642.48	\$158,956.16

### TRANSACTION OVERVIEW

Transaction	Number of Participants	Amount
*Terminations	11	(\$1,026,018.76)
*Withdrawals	1	(\$10,496.22)
Exchanges	14	\$724,056.21
*Contributions	145	\$1,107,733.99

[ 10 ] \* Net cash flow is the sum of the starred items in the transaction overview table.



# Assets by Investment

## December 31, 2006 vs. December 31, 2007

City of Ames Municipal Utility Retirement System Plan – 090886

Investments	Investment Type	Asset Balance		Number of Total Participants		Percentage of Total Assets	
		12/31/07	12/31/06	12/31/07	9/30/07	9/30/06	9/30/07
<b>Short-Term Investments</b>							
Vanguard Prime Money Market Fund	Money Market	\$3,236,497.45	\$3,572,791.53	72	77	12.07%	14.22%
Vanguard Retirement Savings Trust	Stable Value	\$1,787,961.16	\$1,662,426.10	27	29	6.67%	6.62%
<b>Fixed Income Funds</b>							
Vanguard Total Bond Market Index Fund	Bond	\$1,018,855.21	\$920,695.74	50	51	3.80%	3.67%
<b>Balanced Funds</b>							
Vanguard LifeStrategy Income Fund	Balanced	\$112,766.03	\$70,971.78	7	7	0.42%	0.28%
Vanguard LifeStrategy Consv Growth Fund	Balanced	\$303,048.39	\$125,214.06	5	4	1.13%	0.50%
Vanguard LifeStrategy Moderate Growth	Balanced	\$605,986.74	\$547,884.47	9	10	2.26%	2.18%
Vanguard LifeStrategy Growth Fund	Balanced	\$246,047.89	\$210,440.20	9	10	0.92%	0.84%
Vanguard Wellington Fund	Balanced	\$4,722,602.97	\$4,322,150.33	83	85	17.61%	17.21%
<b>Equity Funds</b>							
Vanguard 500 Index Fund	Growth and Income	\$4,280,658.70	\$4,066,404.30	92	90	15.96%	16.19%
Vanguard Equity Income Fund	Growth and Income	\$1,560,743.56	\$1,451,088.03	57	57	5.82%	5.78%
Vanguard Total Stock Market Index Fund	Growth and Income	\$1,652,126.91	\$1,534,558.49	55	55	6.16%	6.11%
Vanguard Windsor II Fund	Growth and Income	\$2,961,463.99	\$2,689,970.00	72	70	11.04%	10.71%
Vanguard Morgan Growth Fund	Growth	\$1,447,142.95	\$1,261,140.61	54	53	5.40%	5.02%

# Assets by Investment

## December 31, 2007 vs. December 31, 2006

City of Ames Municipal Utility Retirement System Plan – 090886

Investments	Investment Type	Asset Balance		Number of Total Participants		Percentage of Total Assets	
		12/31/07	12/31/06	12/31/07	12/31/06	12/31/07	12/31/06
<b>Equity Funds</b>							
Vanguard Morgan Growth Fund	Growth	\$1,447,142.95	\$1,261,140.61	54	53	5.40%	5.02%
Vanguard U.S. Growth Fund	Growth	\$1,135,223.24	\$1,106,448.94	65	63	4.23%	4.40%
Vanguard Explorer Fund	Aggressive Growth	\$366,995.41	\$328,880.44	23	21	1.37%	1.31%
Vanguard International Growth Fund	International	\$1,384,675.34	\$1,244,009.18	69	63	5.16%	4.95%
<b>Loan Funds</b>							
Loan Fund	Plan Loan	\$539.43	\$3,442.09	1	4	0.00%	0.01%
<b>TOTALS</b>		<b>\$26,823,335.37</b>	<b>\$25,118,516.29</b>			<b>100.00%</b>	<b>100.00%</b>



