

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 December 2012, the Board met with Michelle Fox, Relationship Manager from Vanguard. Michelle presented a brief overview of the company, and provided information demonstrating that the fee structure and investment return performance are highly competitive.

Michelle Fox also presented a plan and participant overview. The Plan has a total balance of over \$26.8 million with 131 active participants and 146 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 for 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.
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 continue the relationship with Vanguard.



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.



Summary fee report

408(b)(2) disclosure for CITY OF AMES MUNICIPAL UTILITY RETIREMENT
SYSTEM PLAN

Calculated as of October 31
2012

Plan Assets	Total all-in fees	
\$26,886,799	\$79,871	0.30%
	Asset - based fees by provider	
		
	■ Vanguard	\$73,871
	■ Non-Vanguard	\$0
	■ Other investments	\$0
	Total fees by service	
		
	Asset-based fees net of recordkeeping	0.17% \$45,572
	■ Vanguard (less recordkeeping credit)	\$45,572
	■ Non-Vanguard (less payment for recordkeeping)	\$0
	■ Other investments	\$0
	■ Recordkeeping compensation by source	0.13% \$34,299
	Total direct compensation: Fee paid directly from plan	\$6,000
	Total indirect compensation: Payment for recordkeeping from non-Vanguard funds	\$0
	Total recordkeeping compensation from plan sponsor	\$0
	Vanguard current recordkeeping credit	\$28,299
	■ Additional fees	\$0
	Total all-in fees	\$79,871
Participant accounts		
146		

100%

- Vanguard
- \$26,886,799
- Non-Vanguard
- \$0
- Other investments
- \$0



All-in fee report

408(b)(2) disclosure for CITY OF AMES MUNICIPAL UTILITY RETIREMENT SYSTEM
PLAN

Calculated as of October 31
2012

Vanguard fund asset-based fees

Fund Name	Assets	Expense ratio	Morningstar average	Current recordkeeping credit
Vanguard 500 Index Fund Investor Shares	\$4,059,815	0.17%	1.13%	0.10%
Vanguard Wellington Fund Investor Shares	\$3,850,726	0.27%	1.00%	0.10%
Vanguard Retirement Savings Trust**	\$2,824,386	0.31%	N/A	0.15%
Vanguard Prime Money Market Fund	\$2,592,734	0.20%	N/A	0.10%
Vanguard Windsor II Fund Investor Shares	\$2,477,450	0.35%	1.19%	0.10%
Vanguard Total Bond Market Index Fund Investor Shares	\$2,020,933	0.22%	0.90%	0.10%
Vanguard Total Stock Market Index Fund Investor Shares	\$1,833,808	0.18%	1.13%	0.10%
Vanguard Morgan Growth Fund Investor Shares	\$1,426,298	0.42%	1.27%	0.10%
Vanguard Equity Income Fund Investor Shares	\$1,404,176	0.31%	1.19%	0.10%
Vanguard U.S. Growth Fund Investor Shares	\$1,234,553	0.44%	1.27%	0.10%
Vanguard International Growth Fund Investor Shares	\$1,142,903	0.47%	1.42%	0.10%
Vanguard Explorer Fund Investor Shares	\$503,540	0.50%	1.45%	0.10%
Vanguard Target Retirement 2015 Fund	\$368,391	0.17%	0.49%	0.10%
Vanguard LifeStrategy Growth Fund	\$278,485	0.17%	0.98%	0.10%
Vanguard Target Retirement 2020 Fund	\$266,161	0.17%	0.56%	0.10%
Vanguard Target Retirement 2025 Fund	\$254,557	0.18%	0.49%	0.10%
Vanguard LifeStrategy Moderate Growth Fund	\$131,691	0.16%	1.00%	0.10%
Vanguard LifeStrategy Income Fund	\$131,690	0.13%	0.91%	0.10%
Vanguard Target Retirement 2035 Fund	\$54,792	0.19%	0.48%	0.10%
Vanguard Target Retirement 2040 Fund	\$10,265	0.19%	0.56%	0.10%
Vanguard Target Retirement 2010 Fund	\$9,317	0.17%	0.53%	0.10%
Vanguard Target Retirement Income Fund	\$8,282	0.17%	0.50%	0.10%
Vanguard LifeStrategy Conservative Growth Fund	\$1,845	0.15%	0.91%	0.10%
Vanguard total	\$26,886,799	0.27%	1.10%	0.11%
Vanguard total asset-based fees		\$73,871	\$237,024	\$28,299

** The Expense Ratio of this investment includes fees paid to Vanguard for management of the fund, but does not include fees paid to the issuers of synthetic investments contracts. These synthetic investment contract fees equate to .18%. Fund performance results are net of synthetic investment contract fees.

*The current recordkeeping payment is paid by the fund, fund company, or its advisor to Vanguard for recordkeeping and shareholder servicing. For more information on these payments, please refer to the fund's prospectus. Additional fees may be described below.

Recordkeeping fees

Fee description	Paid by	Total fee
Total recordkeeping compensation from plan sponsor		\$0
Annual Administrative Fee (Paid By Participant Gross Per Capita)	Participants	\$6,000
Total direct compensation*		\$6,000
Total indirect compensation (Current recordkeeping payment from non-Vanguard funds)		\$0
Vanguard current recordkeeping credit		\$28,299
Total recordkeeping compensation		\$34,299

* Direct compensation includes fees paid out of the plan. Plan sponsors may pay appropriate fees from the plan forfeiture account if permitted in the plan document.

Additional fees

Fee description	Paid by	Fee
Ad Hoc Reporting (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Additional Processing (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon



All-in fee report

408(b)(2) disclosure for CITY OF AMES MUNICIPAL UTILITY RETIREMENT SYSTEM
PLAN

Calculated as of October 31
2012

Additional fees		
Fee description	Paid by	Fee
Annual Administrative Fee For Each Loan (Paid By Participant Fixed Per Capita)	Participants	\$25 Per Loan Maintenance
Client Requested Account Adjustments (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Conversion - Asset Transfer (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Conversion - Divisional Transfers (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Conversion - Plan To Plan Transfers (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Conversion - Start Up Plans (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Fee Disclosure Change Notice(s)	Plan sponsors	\$.50 Per Mailed Notification
Legal Notice(s)	Plan sponsors	\$1.50 Per Mailed Notification
Loan Origination Fee NonSelf-Provisioned (Paid By Participant Fixed Per Capita)	Participants	\$90 Per Loan Origination
Loan Origination Fee Self-Provisioned (Paid By Participant Fixed Per Capita)	Participants	\$40 Per Loan Origination
Miscellaneous Fees (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Mistake of Fact Processing (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	\$50 per occurrence
Participant Education Retirement Service (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Plan Consulting Services (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
QDRO Processing (Paid By Participant Fixed Per Capita)	Participants	\$50
Requested Statement Enclosures (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	As Agreed Upon
Return of Excess (Paid By Participant Gross Per Capita)	Participant Gross Per Capita	\$50 per occurrence

Termination related compensation* \$20,000

*Vanguard charges a fee for the conversion services that it will perform to transfer a plan to a subsequent provider. The standard conversion services fee above will apply unless otherwise outlined in the recordkeeping fee agreement. Early termination fees also outlined in your recordkeeping fee agreement may apply if the arrangement is terminated in the first three years.

All-in fee summary	
Vanguard total asset-based fees	\$73,871
Non-Vanguard total asset-based fees	\$0
Other investment total asset-based fees	\$0
Total direct compensation	\$6,000
Total recordkeeping compensation from plan sponsor	\$0
Included additional fees	\$0
Other additional fees	Variable
Total all-in fees	\$79,871
Total assets	\$26,886,799
Total expense ratio	0.30%

Plan summary

October 31, 2011 versus October 31, 2012

City of Ames Municipal Utility Retirement System Plan – 090886

October 31, 2011

Total Plan Balance	\$24,623,292.38
Total Balance Net of Loans	\$24,561,559.20
Number of Active Participants	132
Number of Participants With a Balance	146
Average Participant Balance	\$168,229.86

October 31, 2012

Total Plan Balance	\$26,931,729.17
Total Balance Net of Loans	\$26,886,799.05
Number of Active Participants	131
Number of Participants With a Balance	146
Average Participant Balance	\$184,156.16

Transactions

11/1/2011 through 10/31/2012

	Number of participants	Amount
Exchanges	17	\$2,191,218.13
Outstanding Loans	5	\$44,214.72
Terminations	11	\$1,287,916.23

Participant overview

	Amount
Plan Net Cash Flow	\$393,107.63
Net Cash Flow Per Participant	\$2,692.52

Web Registration

Number of Participants	96
Percent of Total	65.75%

Assets by investment

October 31, 2011 versus October 31, 2012

City of Ames Municipal Utility Retirement System Plan – 090886

Investments	Asset balance October 31, 2011	Number of total participants	Percentage	Asset balance October 31, 2012	Number of total participants	Percentage
Short Term Reserve Funds						
Vanguard Prime Money Market Fund	\$2,855,281.52	61	11.60%	\$2,592,733.91	58	9.63%
Vanguard Retirement Savings Trust	\$2,395,861.47	28	9.73%	\$2,824,386.34	32	10.49%
Bond Funds						
Vanguard Total Bond Market Index Fund	\$1,819,318.67	50	7.39%	\$2,020,932.78	51	7.50%
Balanced Funds						
Vanguard LifeStrategy Conservative Growth Fund	\$746.91	1	0.00%	\$1,844.93	2	0.01%
Vanguard LifeStrategy Growth Fund	\$222,188.55	11	0.90%	\$278,485.19	10	1.03%
Vanguard LifeStrategy Income Fund	\$104,874.50	7	0.43%	\$131,689.99	8	0.49%
Vanguard LifeStrategy Moderate Growth Fund	\$113,890.90	7	0.46%	\$131,690.63	7	0.49%
Vanguard Target Retirement 2010 Fund	\$1,856.00	1	0.01%	\$9,317.01	1	0.03%
Vanguard Target Retirement 2015 Fund	\$260,327.93	2	1.06%	\$368,390.84	3	1.37%
Vanguard Target Retirement 2020 Fund	—	—	—	\$266,161.00	2	0.99%
Vanguard Target Retirement 2025 Fund	\$188,609.24	6	0.77%	\$254,556.83	6	0.95%
Vanguard Target Retirement 2035 Fund	\$49,350.98	1	0.20%	\$54,791.63	1	0.20%
Vanguard Target Retirement 2040 Fund	—	—	—	\$10,265.31	1	0.04%
Vanguard Target Retirement Income Fund	\$7,344.57	1	0.03%	\$8,281.80	1	0.03%
Vanguard Wellington Fund	\$3,999,029.73	76	16.24%	\$3,850,726.30	73	14.30%
Stock Funds						
Vanguard 500 Index Fund	\$3,470,850.34	76	14.10%	\$4,059,815.04	75	15.07%
Vanguard Equity Income Fund	\$1,169,213.02	44	4.75%	\$1,404,176.24	48	5.21%
Vanguard Explorer Fund	\$463,547.17	26	1.88%	\$503,540.07	25	1.87%
Vanguard International Growth Fund	\$1,014,993.71	57	4.12%	\$1,142,903.22	57	4.24%
Vanguard Morgan Growth Fund	\$1,477,181.12	46	6.00%	\$1,426,298.28	46	5.30%
Vanguard Total Stock Market Index Fund	\$1,534,111.85	53	6.23%	\$1,833,808.14	53	6.81%
Vanguard U.S. Growth Fund	\$1,040,885.78	51	4.23%	\$1,234,553.45	51	4.58%
Vanguard Windsor II Fund	\$2,372,095.24	59	9.63%	\$2,477,450.14	56	9.20%
Loan Funds						
Loan Fund	\$61,733.18	5	0.25%	\$44,930.12	5	0.17%
Totals	\$24,623,292.38		100.00%	\$26,931,729.17		100.00%

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