

COUNCIL ACTION FORM

SUBJECT: IRS 457 (DEFERRED COMPENSATION) PLAN ADMINISTRATOR

BACKGROUND:

The City of Ames is the plan sponsor for an IRS Section 457(b) Employee Deferred Compensation Plan. The plan is fully funded through voluntary employee payroll deductions, with the ICMA Retirement Corporation (ICMA-RC) acting as trustee and plan administrator.

Prior to 2007, ICMA-RC deducted an annual administrative fee from each employee's account balance. The City of Ames and ICMA-RC entered into an agreement to eliminate the annual fees in August of 2007 and renewed this agreement in 2012. This agreement is now expiring. ICMA-RC has again offered to eliminate the annual fee provided the City of Ames will continue with ICMA as a 457(b) plan administrator through December 31, 2022. The agreement may be terminated by either party on sixty days advance notice in writing to the other.

ALTERNATIVES:

1. Pass a resolution authorizing approval of an agreement with ICMA-RC to act as 457(b) plan administrator through December 31, 2022.
2. Reject the agreement with ICMA-RC.

MANAGER'S RECOMMENDED ACTION:

As Plan Sponsor, the City of Ames has a fiduciary duty to act in the best interest of the plan participants. Eliminating the annual fee will provide a substantial savings and enhance the value of the plan to the employees. This may also create an incentive to increase participation by employees who are not currently enrolled.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby adopting the resolution authorizing approval of an agreement with ICMA-RC to act as 457(b) plan administrator through December 31, 2022.