

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Resolution No. 187 Adopting Washington State Retirement Systems Deferred Compensation Program as Additional §457 Deferred Compensation Plan Provider
DEPARTMENT:	Human Resources; City Attorney
PRESENTED BY:	Marci Wright, Human Resources Director Ian Sievers, City Attorney

PROBLEM/ISSUE STATEMENT: The City, as trustee of its employee retirement plans, periodically examines our §457 and §401(a) social security replacement plan services and expenses, and other opportunities to improve the deferred compensation benefit provided to employees. An ad hoc staff committee representing the Human Resources, Finance and Legal departments conducts these audits and recommends changes to the City Manager. These are submitted to the Council when required for adoption. Recent actions include loan availability amendments to the 401(a) plan, 2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA) plan amendments, and posting administrative expenses for all deferred comp investments on the city intranet. Staff recommends adding the State Department of Retirement Systems Deferred Compensation Plan (DCP) as an employee §457 investment plan option to supplement those provided by ICMA and Nationwide.

The City currently allows employees to use either ICMA or Nationwide as their §457 provider. The § 457 program allows employee deferred compensation contributions in an amount to be determined by the employee up to \$11,000 for most employees. Changing contribution amounts and switching between the two providers is unlimited. Staff recommends adding the State DCP program administered by the State of Washington Department of Retirement Systems as a §457 investment option. The Department of Retirement Systems is authorized to administer this plan for employees of municipalities as well as state agencies.

The primary consideration for adding this third provider is cost; the State DCP has lower management expenses (.259% average for all funds) than either ICMA (1.46%) or Nationwide (1.81%). According to its December 2001 newsletter, "DCP offers some of the lowest fees in the United States." By way of illustration the article notes that at an 8% return, 1% less in fees and expenses can mean a difference of 18% in investment returns after 20 years. DCP recently won a national award for customer service and communication, and its statement's clear disclosure of expenses compared to those of ICMA and Nationwide is a good example. Three plan options are not uncommon among cities.

The DCP plan is comparable to the two current §457 providers. Transfer between this plan and the other 457 plans is permitted at no cost. Enrollment is allowed anytime. Investments may be managed anytime over the phone or internet. Plan Regulations are on file in the council office.

This plan has three model portfolios, seven mutual funds and a savings pool which earned 6.5% for 2001. While the State DCP has a more limited offering of investment options than ICMA or Nationwide, most mutual funds available through the two current providers appear not to be used by Shoreline employees. For example, of the 34 ICMA funds only six have 6% or more of total Shoreline ICMA §457 funds in them.

FINANCIAL IMPACT:

There are no financial impacts. All plan services are paid for by the participating employee through management and fund fees.

RECOMMENDATION

Staff recommends Council approve Resolution No. 187 adopting the State DCP as an additional City §457 plan provider.

Approved By:

City Manager LB City Attorney 

Attachment:

Resolution No. 187

RESOLUTION NO. 187

**A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON
ADOPTING WASHINGTON STATE RETIREMENT SYSTEMS DEFERRED
COMPENSATION PROGRAM AS ADDITIONAL § 457 DEFERRED
COMPENSATION PLAN PROVIDER**

WHEREAS, the City of Shoreline was formed in accordance with RCS 35A.02 on August 31, 1995; and

WHEREAS, the Department of Retirement Systems, Deferred Compensation Program in accordance with RCW 41.50.770 administers the deferred compensation plan for the employees of the State of Washington as outlined in WAC Chapter 415-501; and

WHEREAS, RCW 41.50.770 permits Counties, Municipalities, and other political subdivisions to participate in the State of Washington Employee's Deferred Compensation Plan; and

WHEREAS, the City of Shoreline, has reviewed the State plan and agrees to accept all terms and conditions of the State plan as established and as hereafter amended; and

WHEREAS, the City of Shoreline, understands and agrees that all monies deferred by its employees are held in trust by the Washington State Investment Board for the exclusive benefit of program participants and eligible beneficiaries;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, AS FOLLOWS:

Section 1. The City of Shoreline requests approval by the Department of Retirement Systems, Deferred Compensation Program to participate in the aforementioned deferred compensation plan for the employees of the City of Shoreline, subject to the requirements of RCW 41.50.770 and WAC Chapter 415-501.

ADOPTED BY THE CITY COUNCIL ON MAY 20, 2002.

Mayor Scott Jepsen

ATTEST:

Sharon Mattioli, CMC
City Clerk