

**A G E N D A**

**JAMES CITY COUNTY BOARD OF SUPERVISORS**

**READING FILE**

**June 26, 2007**

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**FOR YOUR INFORMATION**

1. Contract Award 457(b) and 401(a) Deferred Compensation Plan Provider Memo from Carol Luckam, Human Resource Manager

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## M E M O R A N D U M

DATE: June 19, 2007

TO: The Board of Supervisors

FROM: Carol M. Luckam, Human Resource Manager

SUBJECT: Contract Award - 457(b) and 401(a) Deferred Compensation Plan Provider

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James City County has offered a 457(b) Deferred Compensation Plan to employees since 1988, and added a 401(a) Plan with the establishment of the Match Program in 2006. Our current vendor is the International City Managers Association Retirement Corporation (ICMA-RC). In order to ensure that we are offering the most competitive program for our employees, we decided survey the 457(b) marketplace in hopes of improving the terms of our contract. Recently, a Request for Proposals (RFP) was solicited from qualified firms to provide Defined Contribution Plan Services to the County. Because we have more than \$12 million in employee dollars in the Program, and given the difficulty identifying and deciphering all the fees that are charged, we retained an independent investment consulting firm, Bolton Partners Investment Consulting Group, Inc. of Baltimore MD, to help guide us through the search and selection process. Bolton Partners was selected through a separate RFP process.

A panel of staff members including representatives from the Employee Benefits Committee, Human Resources, Purchasing, and Financial Management Services worked together with Bolton Partners to review the proposals, conduct interviews, and identify the most qualified firm. This recommendation was then presented to the entire Employee Benefits Committee, which concurred with awarding the contract to our current vendor, ICMA-RC.

Though we are retaining our current provider, we were successful in enhancing the program in several ways:

- Reduced administrative fees
  - Eliminated the 0.55% administrative fee on all Plan assets.
  - Eliminated the additional 0.15% fee on non ICMA-RC funds.
  - As a result, we expect the cost to participants to be reduced by at least \$64,000 annually.
- Consolidate investment options
  - Will reduce from the current 46 to about 15 core investment options; and these options will represent the best-performing funds in each of the investment categories, such as small cap funds, international funds, etc.
  - Research has shown that, when more than about 15 investment options are offered, it can adversely affect participation because eligible employees become overwhelmed with the large number of choices.
  - Will also offer lifestyle funds with a predetermined mix of stocks and bonds. This will make the investment decision easier for participants who are uncomfortable selecting their asset allocation.
  - Will monitor on an ongoing basis the performance of the investment options and replace those that we no longer deem prudent.
- Improve communication and increase on-site support
  - We have been pleased with our current account representative, who advises employees by phone and in person. As a result of the new contract, he will be more visible to participants as he will be offering a more regular on-site schedule. Furthermore, ICMA-RC will attempt contact each participant at least once a year.

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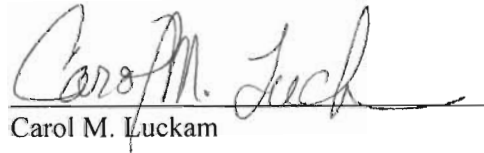
In addition to the above, ICMA-RC was selected for the combination of reasons listed below:

- Most competitive fee schedule;
- Longest tenure in the 457(b) marketplace;
- Excellent customer service reputation;
- Superior technology including Plan Sponsor and participant websites;
- Salaried account representatives (do not work for commission); and
- Availability of competitive investment options.

Bolton Partners will continue to work with us to select the investment options, which we will present to the full Employee Benefits Committee, and to develop an implementation plan with ICMA-RC. Despite the reduction and change of investment options, the retention of our current vendor will ease the transition for employees. We will implement the new contract no later than January 1, 2008, and will communicate extensively with participating employees.

At your June 26 Board meeting, you will be asked to approve a resolution authorizing the County Administrator to enter into a contract with ICMA-RC to continue to provide our 457(b) and 401(a) Deferred Compensation Plan.

Please feel free to contact me if you have any questions.



Carol M. Luckam

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