



CITY COUNCIL CONSENT ITEM

CITY OF FAIR OAKS RANCH, TEXAS

AGENDA TOPIC: Approval of a resolution authorizing the consolidation of the City's 457(b) deferred compensation plans from two providers, Mission Square and Nationwide, into a single plan provider, Nationwide, and implementation of the proposed transition plan, investment policy, and committee charter.

DATE: August 1, 2024

DEPARTMENT: Human Resources and Communications

PRESENTED BY: Consent Item – Joanna Merrill, IPMA-SCP, Director of Human Resources & Communications

INTRODUCTION/BACKGROUND:

The City of Fair Oaks Ranch currently offers two voluntary 457(b) deferred compensation retirement plan options to its employees through Mission Square and Nationwide. To improve efficiency, reduce administrative overhead, and potentially enhance investment options and cost-effectiveness, staff have evaluated the feasibility and benefits of consolidating these plans into a single provider.

HUB International, the City's current benefit broker, conducted an in-depth analysis of both 457(b) plans. The review included:

- **Investment Performance:** Comparison of investment returns and risk profiles.
- **Fees and Costs:** Analysis of administrative fees, fund management fees, and other associated costs.
- **Service and Support:** Evaluation of customer service, account management, and participant support services.
- **Plan Features:** Assessment of plan features such as loan availability, catch-up contributions, and educational resources for participants.

Based on HUB's comprehensive review, staff recommends that the City consolidates its 457(b) plans into a single plan offered by Nationwide. This consolidation will streamline administration, potentially reduce costs, and provide enhanced investment options and participant services.

Upon approval, implementation of this process will follow the below transition plan:

- As the City has not previously had an investment policy regarding the governance of the 457(b) plans, a robust investment policy has been created and included to govern the management of the 457(b) plan going forward. This policy outlines the criteria for selecting and monitoring investment options and aims to maximize returns while minimizing risk.
- HUB will provide staff with a detailed plan to move existing assets and participants from the non-selected provider, Mission Square, to the selected provider, Nationwide. This will include a clear communication plan to employees to ensure a smooth transition.

- The City will establish an investment committee charter to ensure ongoing oversight and regular analysis of the plan's performance. The committee will meet semi-annually to review investment performance, fees, and participant satisfaction. The committee will consist of the City Manager, the Director of Human Resources, the Director of Finance, and at least one ad hoc member from the Police Department, the Public Works Department and one member from a department under the Administrative Services grouping.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

This review has been designated as a priority in the Strategic Action Plan.

- 5.1.1 Evaluate & Update Compensation and Benefit Plans inclusive of Public Safety
- 5.1.7 Research and Implement Recruitment and Retention Policies

LONGTERM FINANCIAL & BUDGETARY IMPACT:

There is no budget impact to the City. Deferred compensation is elected by employees through voluntary payroll deductions.

LEGAL ANALYSIS:

Approved as to form.

RECOMMENDATION/PROPOSED MOTION:

Consent Item – I move to approve a resolution authorizing the consolidation of the City's 457(b) deferred compensation plans from two providers, Mission Square and Nationwide, into a single plan provider, Nationwide, and implementation of the proposed transition plan, investment policy, and committee charter.