



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 08/05/2025

ITEM NO: 15

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DATE: July 9, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Adopt a Resolution to Appoint the Town Manager as Plan Administrator for the Town's 457(b) and 401(a) Defined Contribution Retirement Plans, Authorize the Town Manager to Execute Necessary Service Provider Agreements and Grant Town Manager the Authority to Delegate/Assign Duties for the Plan to a Fiduciary Investment Advisor Firm and Appropriate Departments and Staff.**

**RECOMMENDATION:** Adopt a Resolution to (1) appoint the Town Manager as Plan Administrator for the City's 457(b) and 401(a) defined contribution retirement plans; (2) authorize the Town Manager to execute necessary service provider agreements related to the administration of the plans; and (3) grant Town Manager the authority to delegate/assign duties for the plan to Shuster Advisory Group, LLC, to provide fiduciary investment advisory and plan consultative services, and appropriate departments and staff to fulfill the Town's fiduciary responsibilities and duties as outlined in Article XVI, Section 17 of the California Constitution.

**FISCAL IMPACT:**

There is no fiscal impact on the Town from this action. The participants pay the fee, and the new service agreement will provide significant savings and better investment options to the plan participants.

**STRATEGIC PRIORITIES:**

This item aligns with the Core Goal of Fiscal Stability and the strategic priority to ensure prudent fiscal management.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Human Resources Director

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SUBJECT: Appoint Town Manager as Plan Administrator and Shuster Advisor as Fiduciary  
for the Town's 457(b) and 401(a) defined contribution retirement plans

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BACKGROUND:

The Town provides an employer-sponsored deferred compensation plan under Section 457(b) of the Internal Revenue Code ("IRC") and a 401(a) defined contribution plan under that section of the IRC. The 457(b) Plan provides tax benefits to employees who make deposits into the plan for their retirement. The 401(a) plan is an employer-sponsored money purchase retirement plan that allows dollar or percentage-based contributions from the Town for certain employees as retirement savings. As the sponsor of the plans, the Town has certain fiduciary duties and responsibilities under State law and Federal law. These duties and responsibilities focus on ensuring the operation and investment of the plan are for the exclusive purpose of providing benefits to participants and beneficiaries. Specifically, fiduciary responsibilities include:

- Investing the assets of the plan;
- Administering the plan; and
- Engaging in a prudent process for making all decisions related to the operation of the plan, including decisions related to the plan's investments and related services.

Because of the increasing complexity of the investment process and associated responsibilities to fulfill the Town's fiduciary responsibility to provide plans in the best interests of participating employees, staff issued a request for proposal for 457(b) deferred compensation and 401(a) retirement plan services on April 4, 2025. After a thorough review of the responses from all proponents, Shuster Advisory Group, LLC ("Shuster") was selected to assist the Town in fulfilling the Town's fiduciary responsibility to provide plans in the best interests of participating employees by providing fiduciary investment advisory services and plan consultative services. Shuster is a SEC-Registered Investment Advisor with over \$9 billion in assets under advisement, focusing on serving the unique needs of governmental agencies, and special districts serving over 100 cities, agencies and public entities. Shuster serves as a fiduciary to plan investments and provides investment selection, monitoring, and management, as well as plan design and consultative services.

As part of their preparation in response to the Town's request for proposal, Shuster conducted a review of the existing plans and identified areas where the plans and pricing can be improved. Shuster has negotiated an 89% reduction in the 457(b) and 401(a) record-keeping fees without a reduction in services. Shuster will lead a reorganization of the plans implementing fee transparency, an open architecture institutional investment menu, and fiduciary oversight practices.

DISCUSSION:

Based on analysis and final negotiations, it was determined that the 457(b) and 401(a) Plan participants would benefit by remaining with the current record-keeper, MissionSquare, while

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implementing the significant reduction in costs and enhanced platform, investments, and services. The estimated positive financial impact to participant accounts from just the fee reduction alone is \$8 million over a 30-year period (this assumes no additional contributions or distributions and an average 5% annual rate of return). This impact does not consider the potential for enhanced investment performance from the new, higher-quality, comprehensive, institutional, and low-cost investment menu, nor any future contributions or distributions. Below is a summary of independent investment rating and scoring agencies comparing the plan's current menu to the proposed new menu.

Scoring/Rating Agency	RPAG Score (0-10, 10 is best)	Fi360 Score (100-0, 0 is best)	Morningstar Rating (1-5, 5 is best)
Current Menu	7.9	25.6	3.5
New Menu	9.3	11.4	4.1

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

COORDINATION:

This memo was developed in coordination with the Town Manager's Office and the Human Resources Department.

Attachments:

1. Resolution to Authorize the Town Manager as Plan Administrator for 457(b) and 401(a) plans
2. Agreement with Shuster Advisory Group
3. Shuster Advisory Proposal