



**To:** Rebecca Sutton, Chief Financial Officer, City of Orlando  
Christopher McCullion, Treasurer, City of Orlando

**From:** Phyllis Westmoreland, Director of Relationship Management, ICMA-RC

**Date:** May 16, 2014

**Re:** City of Orlando Renewal Proposal

## Overview

The ICMA Retirement Corporation (ICMA-RC) is honored to have had the privilege of assisting the City of Orlando's retirement plan participants and employees in building their retirement security. Since October 2010, under the current agreement, the City has successfully partnered with ICMA-RC to provide results-oriented education programs, Retirement Readiness Reports, and an employer incentive program to encourage employees to assess their readiness for retirement.

The City of Orlando and ICMA-RC have worked together to motivate non-savers and participants to focus on building financial independence through comprehensive Financial Planning seminars and one-on-one consultations, which are made available to employees four days per week in the on-site office located in the Treasury Department.

## Current Contract Terms

The current five-year agreement between the City of Orlando and ICMA-RC runs until October 20, 2015, with two five-year options to renew. This agreement includes a \$175,000 administrative allowance out of which \$100,000 is currently used by the City to offset plan expenses, including the cost of administering the retirement plans, staff compensation, and lunch-and-learn sessions, and other plan-related miscellaneous expenses. A portion of the remaining \$75,000 has been used to pay for the costs of providing Retirement Readiness Reports and to fund incentive programs aimed at increasing participation in the City's voluntary 457 Deferred Compensation Plan. City staff has indicated that the additional \$75,000 is more than enough to cover the costs of additional services, and staff would like to see fees reduced rather than have the City continue to receive the additional \$75,000 administrative allowance.

The plan pricing has no plan administration fees, no participant fees, no wrap fees, no front-end sales charges, and no back-end sales charges.

The pricing terms for the City of Orlando retirement plans includes provision of a 0.35% Asset Fee Allowance to participant accounts for assets invested in the R5 share class of the VT PLUS Fund, which is currently made available to the City's plans. Access to the alternative R10 share class of the VT PLUS Fund is described below.

## Proposed Renewal Agreement and Administrative Allowance

ICMA-RC values our partnership with the City of Orlando and we are seeking to proactively enhance the relationship. ICMA-RC proposes to significantly lower our fees for serving the plan, which will allow employees to retain more of the performance of the funds in which they invest in their retirement accounts.

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ICMA-RC proposes to extend the remaining term of the exclusive contract for an additional five years, providing the City of Orlando with administration and record keeping services for its Section 401 and 457 plans under the following agreement:

- Provide a fixed administrative allowance of \$25,000 per quarter (\$100,000 per year). City staff indicates that this is a sufficient level to meet the City's in-house costs of administering the plans.
- Reduced plan cost with an annual fee of 0.1225% for providing administration and record keeping services for the plans (including the administrative allowance above).
- Lower the cost by transferring assets in the VT Vantagepoint Funds from the R5 share class to the R7 share class which reduces the expense ratio by 0.09%. This revised lineup is estimated to provide revenue of approximately 0.1280% for administration and record keeping services. At this level of revenue, we estimate there would be additional average annual administrative allowance of \$18,000 over the next five years, based on current participant investment allocations and estimated asset growth.
- Should revenue from the funds fall below 0.1225% due to changes in participant investment allocations, the City will continue to receive a \$100,000 annual administrative allowance. If revenue from the funds change due to changes made to the fund lineup by the City, the administrative allowance will be commensurately changed.
- Change to the lower-cost R10 share class of the VT PLUS Fund. As a result of the transfer from the R5 share class to the lower-cost R10 share class of the VT PLUS Fund, ICMA-RC's annualized Asset Fee Allowance to participant accounts correspondingly will be reduced from 0.36% to 0.11%.
- Any revenue generated by the lower plan cost, which exceeds our fee of 0.1225% for administration and record keeping services (including the \$100,000 guaranteed administrative allowance), may be used for the benefit of participants and to provide enhanced educational services or go to the plan.

## Enhanced Educational Services

ICMA-RC proposes that any excess administrative allowance continue to be used to provide an enhanced level of employee retirement planning, i.e., Retirement Readiness Reports, City incentive programs for participants, and other benefits for the City's employees, as agreed upon by the City of Orlando and ICMA-RC.

### Programs and benefits include:

#### 1. Financial Plans:

- Mini Snapshot Financial Plan at no additional cost
  - Online Fact Finder
  - CERTIFIED FINANCIAL PLANNER™ professional phone consultation
- Goal-Specific Plans (cost \$175)
- Comprehensive Financial Plans (cost \$450)
- Financial Planning Seminars

#### 2. Access to a Salaried CERTIFIED FINANCIAL PLANNER™ Professional

- Consultations at no additional cost

#### 3. Retirement Readiness Report

- \$2.85 per employee Report + \$5,000 set-up fee

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## Longstanding and Renewed Commitment to the City of Orlando

ICMA-RC is proud of our longstanding partnership with the City of Orlando and we look forward to continuing to deliver high-quality services and education to you. We are committed to helping the City of Orlando's employees build retirement security by providing outstanding on-site service; effective education programs; and consistent enhancements to our educational resources and services.

We welcome the opportunity to discuss this proposal with you in greater detail. If you have any questions, please contact me by email at [pwestmoreland@icmarc.org](mailto:pwestmoreland@icmarc.org) at your convenience.

Kindest regards,

A handwritten signature in black ink that reads "Phyllis Westmoreland". The signature is written in a cursive, flowing style.

Phyllis Westmoreland  
Director of Relationship Management  
ICMA-RC