

Council Meeting
August 28, 2012

Honorable Mayor and Members
Of the Torrance City Council
City Hall
Torrance, California

Members of the City Council:

SUBJECT: City Treasurer – Approve agreement amendment for recordkeeping and communication services of the deferred compensation program. Expenditure: Not Applicable

RECOMMENDATION:

Recommendation of the **City Treasurer**, as the Plan Administrator; that the City Council:

1. Approve a contract with Great West Life & Annuity Insurance Company to be the City of Torrance Deferred Compensation Program retirement plan vendor for a period of five (5) years beginning September 1, 2012 through August 31, 2017 with automatic renewal for successive one (1) year periods unless either Plan Sponsor or Great-West provides ninety (90) days written notice prior to the expiration of the period.
2. Adopt a **RESOLUTION** approving service agreement amendment no. 1, Agreement for Recordkeeping and Communication Services with Great West Life & Annuity Insurance Company related to the 457 Deferred Compensation Plans and the 401(a) Defined Contribution Plans for the City of Torrance Employees.

FUNDING

N/A

BACKGROUND:

In 1974, an IRS 457 Deferred Compensation Plan was adopted, with the City Treasurer appointed as Plan Administrator, to provide a tax exempt method for employees to defer income for retirement. The funds are currently invested with Great West Life & Annuity Insurance Company ("Great West") in both Fixed Income Fund options and variable mutual funds. Great-West continues to be rated A+ by A.M. Best, which is a superior rating based on Insurance Company ratings.

In the City's continuing efforts to improve and enhance its employee benefits, the Deferred Compensation Plan Committee (the "Committee") benchmarked the services and costs associated with Great West. To assist with this project, the City engaged Benefit Funding Services Group ("BFSG") to conduct an evaluation of the retirement plan marketplace. BFSG is an independent fiduciary consulting firm providing customized solutions to committees of public and private sector retirement plans.

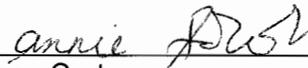
ANALYSIS:

The Deferred Compensation Plan contract was awarded to Great West after performing an extensive request for proposal process that was conducted by Benefit Funding Services Group ("BFSG") an independent fiduciary consulting firm. Great West received the award with the understanding that they would have specific performance benchmarks specified in the renewal contract that would need to be met in order to extend the contract for an additional period. BFSG confirmed that all contractual items were met and /or exceeded. An online survey was performed in order to obtain participants' assessment on how they viewed services provided by Great West. The survey, which represents about 35% of the active participants that regularly use all the services provided, proved to give a satisfied and better than satisfied rating overall to Great West. Finally, BFSG was tasked with reviewing the proposal being presented by Great West for its cost effectiveness as it compares with the current market pricing. BFSG presented all its findings to the Deferred Compensation Committee and acknowledged that Great West had performed as expected per the contract, and that the survey reflected that the active users are happy with the services, and that the 5 year proposal proved to be the most cost effective offer for the plan and its participants. The Deferred Committee unanimously voted to move forward with the Great West Proposal.

In order to implement the enhanced changes, the Great West Contract agreements for the Deferred Compensation Program must be approved and executed. A copy of said Contracts is available for review in the City Clerk's Office during regular business hours.

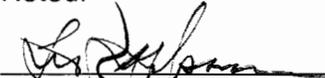
The contracts have been reviewed by the City Treasurer's Office and the City Attorney's Office and have been approved as to form.

Respectfully submitted,



 Dana Cortez
 City Treasurer

Noted:



 LeRoy J. Jackson
 City Manager

ATTACHMENTS:

- (A) Great West Service Agreement amendment
- (B) Resolution

Great-West Retirement Services®

**AMENDMENT NO. 1
TO
AGREEMENT FOR RECORDKEEPING AND COMMUNICATION SERVICES**

§457(b) Deferred Compensation Plan "A"

Group No. 98215-01

And

§457(b) Deferred Compensation Plan "B"

Group No. 98215-02

And

§401(a) Defined Contribution Plans

Group No. 98215-03;

Group No. 98215-04;

Group No. 98215-05; and

Group No. 98215-06

THIS AMENDMENT NO. 1 is entered into by and between Great-West Life & Annuity Insurance Company ("Great-West"), and/or any successor, assign or affiliate, and the City of Torrance ("Plan Sponsor") with respect to the services to be provided by Great-West Retirement Services®, a unit of Great-West, to the to the Deferred Compensation Plan A (the "457 Plan A"), the Deferred Compensation Plan B (the "457 Plan B") and 401(a) Defined Contribution Plan (the "401(a) Plan") (or collectively as the "Plan" or "Plans").

Effective June 22, 2010, Great-West and Plan Sponsor entered into the Agreement for Recordkeeping and Communication Services ("Agreement"), under which Great-West provides certain recordkeeping and communication services for the Plan Sponsor with respect to the Plan; and

Great-West and the Plan Sponsor have agreed that it would be beneficial to renew the Agreement for a new Agreement term.

NOW THEREFORE, in consideration of the covenants and conditions herein contained, and other good and valuable consideration as herein provided, the parties agree to amend the Agreement as follows:

1. The first paragraph of Section VII. Agreement Term and Termination of the Agreement shall be deleted and replaced in its entirety with the following new provision:

"This Agreement shall be renewed effective on June 1, 2012 or such later date as this Agreement has been signed by both Plan Sponsor and Great-West (the "Effective Date"). The new term of the Agreement is for a period of five (5) years from June 1, 2012 through May 31, 2017 with automatic renewal for successive one (1) year periods unless either Plan Sponsor or Great-West provides ninety (90) days written notice prior to the expiration of the period."

2. Subsection A and B of Section VIII. Recordkeeping, Communication and Other Fees of the Agreement shall be deleted and replaced in their entirety with the following new provisions:

“A. Annual Recordkeeping and Communication Fee

The parties have agreed that the basic Recordkeeping and Communication Fees payable to Great-West under this Agreement shall not be less than 0.085% of total variable/mutual fund Participant account balances per annum in Group #98215-01 through #98215-06 combined as described below. The parties further agree that such fees are contingent upon the Plan Sponsor utilizing the Great-West's Custom Stable Asset Fund as the exclusive stable value fund option and are to be paid, to the extent possible, from fees Great-West and/or one or more of its affiliates receives from mutual fund families and other investment providers for providing certain administrative or other services (“Revenue”). Great-West will provide additional information upon request. The 0.085% annual amount will be calculated quarterly (at the rate of .02125%) on the average total variable/mutual fund Participant account balances for the calendar quarter. The average total variable/mutual fund Participant account balance shall be determined using the following formula:

Total variable/mutual fund Participant account balances on the first day of the calendar quarter (or the first day of Agreement Term if later) plus total variable/mutual fund Participant account balances on the last day of the calendar quarter (or the last day of the Agreement term if earlier) divided by 2. Partial quarters at the beginning and end of the Agreement Term(s) shall be calculated on a pro-rata basis.

In the event that the Revenue paid to Great-West by the investment providers total less than 0.085% per annum of the average total variable/mutual fund Participant account balances each calendar quarter, the Plan will pay Great-West the difference between the amount of Revenue Great-West received from the investment providers and the 0.02125% quarterly fee. The Plans may pay the difference to Great-West by instructing Great-West to collect the difference from Participant account balances.

No later than ninety (90) days after the Effective Date of this Amendment No. 1, the parties agree to set a separate revenue requirement for Group #98215-02, or some other mutually agreeable alternative arrangement, and the collection of any additional fees, if applicable, will be calculated and processed as mutually agreed to by the parties.

B. Revenue Sharing to the Plan

In the event the Revenue paid to Great-West in respect of the #98215-01, #98215-03, #98215-04, #98215-05 and #98215-06 Plans combined exceeds 0.085% annually (as calculated in A above, excluding Group #98215-02), such excess amount will be paid by Great-West to these Plans within forty-five (45) days after each calendar quarter end and shall be placed into an unallocated trust assets account to be used for plan purposes as set forth in the plan document. These assets will be invested in a single investment option as specified by Plan Sponsor. Within forty-five (45) days after each calendar quarter end, Great-West agrees to

prepare an accounting of the amount of shareholder service fees, 12b-1 fees and/or reallowances received by Great-West from all investment providers and the applicable amount paid to the unallocated trust assets account.”

- 3. In all other respects the Agreement shall remain in full force and effect.
- 4. This Amendment No. 1 will take effect upon the date executed by both parties (the “Effective Date”).

IN WITNESS WHEREOF, the parties by signing this Amendment No. 1, in duplicate, certify that they have read and understood it, that they agree to be bound by the terms of the Amendment No. 1 and that they have the authority to sign it. This Amendment No. 1 is not binding on either party until approved by both parties.

For: City of Torrance

Signature: _____

Date _____

Name: _____

Title: _____

For: Great-West Life & Annuity Insurance Company

Signature: _____

Date _____

Name: Gregory E. Seller

Title: Senior Vice President, Government Markets

Important Note: Service Agreement Amendments, Pricing Change Agreements, and other contractual documents must be duly executed by both parties prior to the effective date of the changes. Backdating contracts or funding agreements is in violation of our corporate governance and regulatory requirements. Changes cannot be implemented prior to the date all documents are fully executed, even if that requires the effective date to be postponed. There are no exceptions to the rule that the effective date must follow the date all documents are executed.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE
 APPROVING A SERVICE AGREEMENT AMENDMENT NO.1, ANNUITY CONTRACTS AND
 LETTER AGREEMENT WITH GREAT WEST LIFE & ANNUITY INSURANCE COMPANY
 RELATED TO THE 457 DEFERRED COMPENSATION PLANS AND THE 401 (A) DEFINED
 CONTRIBUTION PLANS FOR THE CITY OF TORRANCE EMPLOYEES

WHEREAS, the City and Great West Life and Annuity have agreed upon a plan for investment of employees deferred income, and

WHEREAS, said plans included a service agreement amendment no. 1, annuity contracts and Letter agreement to include 457 and 401(a) plans for administration of the various plan elements.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF TORRANCE DOES HEREBY RESOLVE AS FOLLOWS:

1. That the City of Torrance does hereby approve the service agreement entitled "Amendment No. 1 Agreement for Recordkeeping and Communication Services", §457(b) Deferred Compensation Plan "A" Group No. 98215-01 and §457(b)Deferred Compensation Plan "B" Group No.9815-02 and §401(a)Defined Contribution Plans Group No. 98215-03; Group No. 98215-04; Group No. 98215-05; and Group N0. 98215-06.
2. That upon the effective date of this resolution, all previously adopted Contracts and Agreements with Great-West Life and Assurance and its affiliates are terminated and replaced pursuant to this Resolution.
3. That the effective date of said contract shall be September 1, 2012.
4. That a copy of said contracts and agreements be marked true and correct, and shall be attested to by the City Clerk.

Introduced, approved and adopted this _____ day of _____, 2012.

 Mayor Frank Scotto

APPROVED AS TO FORM:
 JOHN L. FELLOWS III, City Attorney

ATTEST:

by _____
Patrick Q. Sullivan, Assistant City Attorney

Sue Herbers, City Clerk